

Regular Session, 2010

HOUSE BILL NO. 1229

BY REPRESENTATIVE TUCKER

RETIREMENT/STATE SYSTEMS: Creates the State Retirement System Investment Committee and consolidates investment duties of the four state retirement systems into such commission

1 AN ACT

2 To enact Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised  
3 Statutes of 1950, comprised of R.S. 11:331 through 339 and R.S. 36:769(G) and  
4 801.3(D), relative to the Louisiana State Employees' Retirement System, the  
5 Teachers' Retirement System of Louisiana, the State Police Pension and Retirement  
6 System, and the Louisiana School Employees' Retirement System; to create the State  
7 Retirement System Investment Commission; to provide relative to investments of  
8 state retirement systems; to provide for an effective date; and to provide for related  
9 matters.

10 Notice of intention to introduce this Act has been published  
11 as provided by Article X, Section 29(C) of the Constitution  
12 of Louisiana.

13 Be it enacted by the Legislature of Louisiana:

14 Section 1. Subpart P of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana  
15 Revised Statutes of 1950, comprised of R.S. 11:331 through 339, is hereby enacted to read  
16 as follows:

17 SUBPART P. STATE RETIREMENT SYSTEM INVESTMENT COMMISSION

18 §331. State Retirement System Investment Commission; creation; membership;  
19 terms; qualifications

1           A. For purposes of this Subpart, the term "state retirement systems" or  
2           "systems", hereinafter, shall mean the following retirement systems, plans, or funds:

3                     (1) Louisiana State Employees' Retirement System.

4                     (2) Teachers' Retirement System of Louisiana.

5                     (3) State Police Pension and Retirement System.

6                     (4) Louisiana School Employees' Retirement System.

7           B. There is hereby created the State Retirement System Investment  
8           Commission, "commission", hereinafter, which shall have the exclusive authority,  
9           subject to the provisions of this Subpart, to invest assets held in trust by the state  
10           retirement systems. The commission shall consist of the following members:

11                    (1) The state treasurer, ex officio, or his designee.

12                    (2) One member appointed by the Governor.

13                    (3) One member of the House of Representatives appointed by the speaker  
14           of the House.

15                    (4) One member of the Senate appointed by the president of the Senate..

16                    (5) The legislative auditor, ex officio, or his designee.

17                    (6) Four members, one appointed by each of the boards of trustees of the  
18           state retirement systems.

19           C. Each member of the commission shall serve a term of four years, except  
20           for the designees of ex officio members, if any, whose terms shall be coterminous  
21           with the terms, of the ex officio members themselves.

22           D. A person may not be appointed to the commission unless he possesses at  
23           least one of the following qualifications:

24                    (1) The Chartered Financial Analyst credential of the CFA Institute.

25                    (2) The Certified Financial Planner credential of the Certified Financial  
26           Planner Board of Standards.

27                    (3) At least ten years of professional securities broker experience.

28                    (4) At least ten years of professional actuary experience.

1           (5) At least ten years of professional teaching experience in economics or  
2           finance.

3           (6) An earned Ph.D. in economics or finance.

4           (7) At least ten years of accounting or auditing experience.

5           E. Except as provided in Subsection F of this Section, the members of the  
6           commission shall receive for attendance at meetings of the commission a per diem  
7           of seventy-five dollars plus the normal expense allowance allowed state employees  
8           by the division of administration, provided funds are available.

9           F. Any member of the commission who is a member of the legislature, shall  
10          receive for attendance at commission meetings the same per diem and expenses as  
11          he receives for attendance at legislative committee meetings and from the same  
12          sources.

13          G. Each fiscal year the commission shall prepare a budget for the expenses  
14          of its administration, including but not limited to per diems, which shall be funded  
15          by each state system on a pro rata basis, based upon each system's actuarial value of  
16          assets for the most recently completed fiscal year.

17          H. Members shall be considered trustees of the state retirement systems, and  
18          shall be subject to the educational requirements contained in R.S. 11:185.

19          §332. Duties of commission

20          A. All assets of the state retirement systems are held in trust. The  
21          commission shall have the exclusive authority to invest available funds held in trust  
22          by the state retirement systems and to hold, purchase, sell, assign, transfer, manage,  
23          and dispose of any of the assets or securities of such systems, in the name of the  
24          systems or of the commission, provided the action is taken in accordance with the  
25          provisions regarding fiduciary and investment responsibilities as set forth in R.S.  
26          11:261 through 269. The committee and its members shall be deemed to be in a  
27          fiduciary relationship with the state retirement systems. All of the powers and duties  
28          of the boards of trustees of the state retirement systems, relative to system  
29          investments, are transferred to the commission. The commission may invest the

assets of any state retirement system separately or on a consolidated basis as it deems appropriate, but shall maintain a separate accounting of the funds of each system.

§333.Chief investment officer; qualifications; duties

A. To assist the commission in its investment duties, it shall employ a chief investment officer, who under the direction and supervision of the commission, and as its agent, shall develop and maintain annual investment plans and invest and oversee the investment of system funds. The chief investment officer shall be considered an unclassified state employee, employed at-will by the commission, and shall report directly to the commission. The chief investment officer may be enrolled as a member of the Louisiana State Employees' Retirement System or retain membership in any public retirement system of which he is a member. The chief investment officer may be removed by a majority vote of the commission.

B.(1) The chief investment officer shall possess and demonstrate the following:

(a) An ability to oversee, structure, and evaluate institutional investment portfolios.

(b) Extensive experience in domestic equity, fixed income, international equity or fixed income, cash management, and alternative investments.

(c) Any additional qualifications established by the commission.

(2) The chief investment officer shall have the following duties:

(a) Coordinating asset allocation for all asset classes and subclasses.

(b) Supervising, evaluating, and monitoring the investment portfolio and investment activities.

(c) Complying with all reporting requirements required of each state retirement system by law.

(d) Supervising the investment staff of each state retirement system.

C. The investment staff of each state retirement system is deemed to be under the direction of the commission and its chief investment officer. The commission shall have the discretion to abolish and vacate the position of chief

1 investment officer existing within each of the state retirement systems. Furthermore,  
2 the commission may utilize any other staff of state retirement systems in fulfilling  
3 its duties under this Subpart.

4 §334. Third parties

5 The Commission may contract with any third party investment consultant,  
6 advisor, manager, or custodian bank it deems advisable and shall have the authority,  
7 as successor in interest to the investment duties of the respective boards of the state  
8 retirement systems, to terminate any such contract or agreement previously existing  
9 between a state retirement system and such third party subject to the terms of the  
10 contract or agreement. Such third parties shall be considered fiduciaries subject to  
11 the provisions of R.S. 11:261 through 269.

12 §335. Reporting

13 The state retirement systems shall continue to produce separate actuarial,  
14 audit, investment, and financial reports. However, the commission shall provide  
15 investment reports at least quarterly to the Joint Legislative Committee on the  
16 Budget, the House Committee on Retirement, and the Senate Committee on  
17 Retirement. All returns contained in such report shall be reported net of fees.

18 §336. Oath of Office

19 Each member of the commission, within thirty days after his appointment and  
20 prior to exercising any authority as trustee, shall take an oath of office to support the  
21 constitution and laws of the United States and the state of Louisiana. This oath shall  
22 be subscribed to by the trustee taking it and certified by the officer before whom it  
23 is taken and shall be filed with the Louisiana secretary of state. Failure to comply  
24 with this requirement shall create a vacancy in the office, and the vacancy shall be  
25 filled in accordance with law.

26 §337. Vacancies

27 Any vacancy on the commission shall be filled for the unexpired term of  
28 office in the same manner in which the vacating member was appointed.

29 §338. Officers; meetings; quorum; minutes; reports; compensation

A. The commission shall elect a chairman and vice chairman from among its members. In the event of a vacancy in the office of chairman, the commission shall elect a new chairman to serve. If the chairman is not present at a meeting, the vice chairman shall serve as acting chairman.

B. Regular meetings of the commission shall be held monthly at the time and place determined by the commission, upon giving notice to each member. The chairman or a majority of the commission may call special meetings and cancel meetings. Meetings of the commission shall be conducted in accordance with *Robert's Rules of Order* unless the commission prescribes a different procedure. All meetings and hearings of the commission are open to the public.

C. A majority of the members of the commission shall constitute a quorum for the transaction of business, and a majority of the quorum shall be necessary for a decision.

D. The person appointed by the commission to serve as chief investment officer pursuant to this Subpart shall act as secretary of the commission and shall keep records and minutes of its business and official actions. The minutes of the proceedings of the commission shall be prepared and maintained by the chief investment officer, subject to the approval by the commission. The chief investment officer may seek support and assistance from system staff in furtherance of these duties or any of his other duties.

§339. Domicile

The official domicile of the commission shall be at the state capitol in Baton Rouge.

Section 2. R.S. 36:769(G) and 801.3(D) are hereby enacted to read as follows:

§769. Transfer of boards, commissions, departments, and agencies to Department of Treasury

\* \* \*

1                   G. The State Retirement System Investment Commission is placed in the  
2                   Department of the Treasury in the manner provided for agencies transferred in  
3                   accordance with R.S. 36:101.1.

4 \* \*

5 §801.3. Transfer; retirement boards

6 \* \* \*

7                   D. The provisions of this Section shall be subject to the provisions of R.S.  
8                   11:331 et seq. and shall be superseded by provisions of R.S. 11:331 et seq in conflict  
9                   with this Section.

Section 3. The State Retirement System Investment Commission as created by this Act is the successor in interest to and shall assume all duties, powers, functions, and obligations, relative to system investments, of the boards of trustees of the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, and the State Police Pension and Retirement System. Nothing in this Act shall be construed to impair or invalidate any contracts of the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, or the State Police Pension and Retirement System.

19           Section 4. This Act shall become effective January 1, 2011.

# DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Tucker

HB No. 1229

**Abstract:** Creates the State Retirement System Investment Commission to control the investments of the four state retirement systems.

Proposed law, relative to state retirement systems, creates the State Retirement System Investment Commission (the 'commission') to control the investments of the four state retirement systems, which are:

- (1) Louisiana State Employees' Retirement System (LASERS).
- (2) Teachers' Retirement System of Louisiana (TRSL).

- (3) Louisiana School Employees' Retirement System (LSERS).
- (4) State Police Pension and Retirement System (LSPRS).

Proposed law provides that the commission shall consist of 9 members as follows:

- (1) The state treasurer or his designee.
- (2) One member appointed by the governor.
- (3) One member of the House appointed by the speaker of the House.
- (4) One member of the Senate appointed by the Senate president.
- (5) The legislative auditor or his designee.
- (6) Four members, one appointed by each of the boards of trustees of the state retirement systems.

Proposed law provides that each board member shall serve a 4-year term, except for designees, whose terms shall be coterminous with the ex officio members appointing them. Members shall receive a per diem of \$75 and expenses as provided for state employees. Legislative members receive per diem and expenses as provided for legislative committees. The commission shall have a budget which will be funded by each system on a pro rata basis, according to asset size. Members shall meet all the education requirements imposed by present law on trustees of retirement system boards.

Proposed law requires that each member of the commission shall possess at least one of the following qualifications:

- (1) The Chartered Financial Analyst credential.
- (2) The Certified Financial Planner credential.
- (3) 10 years of securities broker experience.
- (4) 10 years of actuarial experience.
- (5) 10 years of teaching experience in the subject of economics or finance.
- (6) A Ph.D. in economics or finance.
- (7) 10 years of accounting or auditing experience.

Present law establishes a fiduciary duty for each retirement system, its trustees, its employees, and certain investment professionals working for such systems.

Proposed law provides that the members of the commission shall be subject to the same fiduciary requirements of present law.

Proposed law provides that the commission shall have sole authority for investment management and disposition of assets of the state retirement systems. The commission may invest the assets of each system separately or on a consolidated basis, but a separate accounting shall be kept for funds of each system.

Proposed law provides that the commission shall employ a Chief Investment Officer (CIO) to assist the commission in its investment duties. Requires that he have certain abilities and experience. Provides for the CIO's duties, including asset allocation, supervising investment



portfolios and activities, complying with system reporting requirements, and supervising system investment staffs. Provides that the investment staff of each state system shall be under the CIO's supervision. Authorizes the commission to abolish and vacate the position of CIO existing within each system and use other system staff. Provides that the commission may contract with third parties to assist in the fulfillment of its duties. Authorizes the commission to terminate system agreements for such third party assistance subject to the terms thereof. Such third parties shall be subject to the fiduciary requirements of present law.

Proposed law provides that the state retirement systems shall continue to issue separate actuarial, audit, investment, and financial reports, but the commission shall submit quarterly investment reports to the Joint Legislative Committee on the Budget, and the House and Senate Committees on Retirement.

Proposed law provides that a majority of the commission membership shall constitute a quorum and a majority of the quorum shall be necessary to take action. Provides that the official domicile of the commission shall be the state capitol in Baton Rouge.

Proposed law provides that nothing in proposed law shall be construed to invalidate any contracts entered into by a state retirement system.

Effective January 1, 2011.

(Adds R.S. 11:331 through 339 and R.S. 36:769(G) and 801.3(D))